

Commonwealth of Massachusetts
Department of Telecommunications and Energy
Fitchburg Gas and Electric Light Company
Docket No. D.T.E. 02-24/25
Record Request Response

Record Request No. AG-RR-36 (Common)

Please provide the letter from Merrill Lynch which indicates that Fitchburg Gas and Electric Light Company's implied debt rating for its bonds is BBB.

Response:

Please refer to Attachment AG-RR-36.

Person Responsible: Mark H. Collin

4 World Financial Center FL 07
New York NY 10080
212 449 1719
FAX 212 449 6637



May 1, 2002

Mark H. Collin
Charles J. Kershaw Jr.
Unitil Corporation
6 Liberty Lane West
Hampton, NH 03842-1720

Re: \$14,000,000 Fitchburg Gas and Electric Light Company Unsecured Promissory Notes due 2031

Dear Mark and Chuck:

On March 22, 2001 Fitchburg Gas and Electric Light Company ("Fitchburg") committed itself with CIGNA Investments and Canada Life Assurance to issue Unsecured Promissory Notes with a maturity of 2031. The bonds were priced at a spread of 265 basis points over the U.S. Treasury of similar maturity. In the case of both transactions, the relevant treasury was the 6.25% of 5/30 otherwise known as the "old long bond" (the "market standard" for pricing long maturities). Once a pricing date was set, we priced the transaction over the U.S. Treasury yield which resulted in a coupon of 7.98%. The U.S. Treasury was trading at a yield of 5.33%.

Several factors determined the outcome of the coupon rate. The coupon rate is set at a spread over a U.S. Treasury with similar maturity. A premium for liquidity, credit, sector and event risk are added to the current yield of the treasury. As a result, Fitchburg transaction was priced at a spread comparable to a BBB rated publicly traded electric utility bond.

Merrill Lynch appreciates the continued opportunity to work with Unitil and Fitchburg, and I hope we can continue to be of service to you in the future. If there is anything else I can help you with, please do not hesitate to call me at (212) 449-1719.

Sincerely,

Rosalie Valladares
Associate